

[For Immediate Release]



Qunxing Paper Holdings Company Limited
群星紙業控股有限公司

Announced 2009 Interim Results

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**Turnover and profit attributable to shareholders
reached RMB702 million and RMB149 million respectively**

**Increasing economies of scale and operational efficiency
while refining product mix**

Interim Financial Highlights

	For the six months ended 30 June		Change
	2009 (RMB '000)	2008 (RMB '000)	
Turnover	702,205	683,415	+2.7%
Gross profit	196,770	172,735	+13.9%
Gross profit margin	28.0%	25.3%	+2.7 pp
Profit attributable to shareholders	149,208	190,089	-21.5%
Profit attributable to shareholders <i>- Excluding other revenue and net gain & loss from non-core operations</i>	147,320	140,423	+4.9%
Earnings per share <i>- Basic (RMB cents)</i>	14	18	-22.2%
Interim dividend (HK cents)	3.277	4.16	-21.2%

(18 August 2009 – Hong Kong) **Qunxing Paper Holdings Company Limited** ("QX Paper", or the "Company", HKEx stock code: 3868), the largest decorative base paper manufacturer in the PRC, is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "QX Group" or the "Group") for the six months ended 30 June 2009.

For the six months ended 30 June 2009, the Group's turnover increased by approximately 2.7% to RMB702 million from RMB683 million in the corresponding period of 2008. Gross profit margin increased to 28.0% for the first half of 2009 from 25.3% in the corresponding period of 2008. The increase reflected the achievement of economies of scale and further enhancement of operational efficiency following the launch of Production lines nos. 8 and 9 since March 2009 as well as the on-going realignment of product mix by increasing the proportion of premium decorative base paper products with higher profit margin. Profit for the period (excluding other revenue and net gain & loss from non-core operations) amounted to RMB147 million, representing an increase of approximately 4.9% when compared with the same period last year. Basic earnings per share were RMB14 cents (2008: RMB18 cents). The Board of QX Paper declared an interim dividend of HK3.277 cents (2008: HK4.16 cents) per share.

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Commenting on the Group's annual results, Dr. Zhu Yu Guo, Chairman of QX Paper said, "Although the PRC was by no means immune to the financial crisis, the PRC government has coped with it in a decisive manner by introducing a multitude of measures to stimulate the economy and accordingly obtained good results. During the period under review, QX Group continued to increase the proportion and market share of premium decorative base paper products in order to capture the growing market demand. During the period, the cost of raw materials decreased as compared with last year. On condition that the gross margin was not affected, the Group has reduced the selling price of its products in order to share with its customers the benefits of lowering costs. Thus, the average selling price of the decorative base paper products decreased 9.3% from RMB13,304 per tonne in 2008 to RMB12,072 per tonne in the corresponding period of 2009. Besides, by resting on the Group's capacity to produce world-class quality products at a production cost far lower than its overseas competitors, the Group has secured greater market share and consolidated its position as the largest decorative base paper manufacturer in the PRC."

Dr. Zhu continued, "The Group has been putting great emphasis on implementing environmental protection and corporate social responsibility. Apart from our core decorative base paper products serving as a cost-effective substitute for wooden products, the premium wood pulp used by the Group for the production of decorative base paper can minimize pollution and is in line with the Industrial Policy of Environmental Protection in the PRC. Besides, waste water after treatment during the production process can be reused for the irrigation system at our production base in Shandong. Currently, the waste water system of the Group has an annual processing capacity of approximately 1,700,000 cubic meters. To accommodate our long-term growth and future expansion of production capacity, the Group is currently constructing another waste water treatment system with an expected annual processing capacity of approximately 3,650,000 cubic meters."

During the period under review, the Group continued to increase production capacity, further enhance economies of scale and strengthen its competitiveness in order to secure greater market share and underpin its leading market position. As at 30 June 2009, the Group invested and operated 9 highly automated Production lines nos. 1 to 9 with an aggregate designed annual production capacity of approximately 260,000 tonnes, comprising approximately 210,000 tonnes of decorative base paper products and approximately 50,000 tonnes of printing paper products. Production lines nos. 10 and 13 are currently under construction, of which construction of Production lines nos. 10 and 11 is expected to be completed by late 2009 whilst that of Production lines nos. 12 and 13 is expected to be completed by mid 2010. The designed annual production capacity of each of the 4 Production lines nos. 10 to 13 is approximately 30,000 tonnes, which will further expand our designed annual production capacity to approximately 380,000 tonnes.

Dr. Zhu stated that, "Looking forward, we are cautiously optimistic about the prospects of our mid and long-term business development. To satisfy market demand for our products, the Group will expand production lines of decorative base paper in a progressive approach as well as widening applications of our products. As always, we will continue to implement stringent cost control measures, improve production efficiency and quality control system so as to ensure the quality of our products."

Dr. Zhu continued, "With pragmatism and innovation and in keeping with our mission to protect environment and contribute to society, we are devoted to explore and identify suitable and related development opportunities. We will broaden our scope for continuing development aiming to enhance the return of shareholders in long run, while contributing to environmental protection and ecological balance. Leverage on our healthy financial position as well as experienced management with market insight, the Board is confident that the Group's long-term growth can be sustained."

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About QX Paper

QX Paper (HKEx stock code: 3868) is listed on the Main Board of The Stock Exchange of Hong Kong Limited in October 2007. QX Group is specialized in the production and sale of decorative base paper products and printing paper product. The Group has been ranked by China Paper Association as the largest decorative base paper manufacturer in China for four consecutive years since 2005. QX Paper was accredited as one of the "Asia's 200 Best Under A Billion" (annual sales below US\$1 billion) in 2008 by *Forbes Asia*, an authoritative international financial magazine.

For further information, please visit QX Paper's website: <http://www.qxpaper.com>.

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